GOVERNMENT OF INDIA
ROAD TRANSPORT AND HIGHWAYS
LOK SABHA

UNSTARRED QUESTION NO:3816
ANSWERED ON:08.12.2016
Guidelines for PPP Mode of Construction
De(Nag) Dr. (Smt.) Ratna;Pal Shri Jagdambika;Pandey Shri Hari Om;Selvam Shri V. Panneer

Will the Minister of ROAD TRANSPORT AND HIGHWAYS be pleased to state:

(a) whether the Ministry has proposed any changes in guidelines of PPP mode of construction of road projects for its better implementation;

(b) if so, the details thereof and if not, the reasons therefor; and

(c) whether there is any financial constraint or problem with funding the road projects under PPP mode, if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE
MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

(SHRI MANSUKH L. MANDAVIYA)

(a) to (c) Public Private Partnerships (PPPs) continue to be the preferred model for developing highway today, leveraging the advantages of private sector involvement by way of harnessing overall managerial prowess, operational efficiency, sector specific expertise, investment potential and opportunity for appropriate allocation of risks between the partners. However, Highway Sector had witnessed a steep decline in PPP participation in 2012-13 and 2013-14 with many viable projects unable to attract even a single bid. Government took cognizance of all the reasons for this decline, and developed a new model viz. Hybrid Annuity model for implementation of highway projects in order to encourage private sector participation through adequate incentives. The objective is to maximize the quantum of implemented highway projects within available financial resources of the Government. As per this model, 40% the Project Cost is to be provided by the Government as 'Construction Support' to the private developer during the construction period and the balance 60% as annuity payments over the concession period along with interest on outstanding amount to the concessionaire. There is separate provision for O&M payments by the Government to the concessionaire. The private party does not have to bear the traffic risk. As a result, participation of the private sector in PPP projects has increased.

PPP models are governed by an engagement framework under a robust Model Concession Agreement (MCA). Depending upon the changing dynamics of the sector, changes are effected in the MCA as per a pre-specified procedure.

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